

PUBLIC DISCLOSURE

APRIL 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

EASTHAMPTON SAVINGS BANK

36 MAIN STREET
EASTHAMPTON, MA 01027

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **EASTHAMPTON SAVINGS BANK** prepared by the Massachusetts Division of Banks, the institution's supervisory agency, as of **APRIL 29, 2002**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated " Satisfactory "

Easthampton Savings Bank's (ESB) performance as measured by the Lending, Investment, and Service tests warranted a Satisfactory rating. The following summary highlights the results of the bank's efforts.

Under the Lending Test, the bank is assigned an overall rating of Satisfactory. The bank made approximately 82.3 percent of its mortgage loans and 88.5 percent of the small business loans in the assessment area. Lending was well distributed throughout the assessment area. The bank's distribution of home mortgage loans among borrowers of different income levels was reasonable given the assessment area's demographics and the comparison of all other HMDA- reporting lenders within the assessment area. The bank's small business loan distribution among businesses of different sizes is also considered very good.

Given the opportunities available in the assessment area, the bank has made an adequate level of qualified investments. Donations were made to organizations that serve the needs of low and moderate-income individuals and demonstrate the bank's commitment to the community. Therefore, the bank's investment performance receives a rating of Satisfactory.

Under the Service Test, the bank is rated Satisfactory. ESB offers services and products tailored to meet the convenience and needs of the entire assessment area. Bank officers and employees donate their time and expertise to local community development organizations particularly those that serve the low and moderate-income individuals within the assessment area and are related to the provision of financial services. The bank provides an adequate level of community development services.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **EASTHAMPTON SAVINGS BANK** Located in **Easthampton, MA** with respect to the lending, investment, and service tests.

PERFORMANCE TESTS Easthampton Savings Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			
Satisfactory	X	X	X
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

Easthampton Savings Bank was originally incorporated under the laws of the Commonwealth of Massachusetts as a mutual savings bank in 1869. The bank is headquartered at 36 Main Street in Easthampton, Massachusetts. The bank also operates full service branches in Northampton (2), Southampton, Hadley, and South Hadley. The bank opened a branch located in the Town of South Hadley in December 2001.

According to the March 31, 2002 FDIC Quarterly Call Report, Easthampton Savings Bank had \$488 million in assets with deposits of \$389 million and loans of \$329 million. Approximately 80 percent of the bank's loan portfolio is in real estate loans with 72.8 percent of those loans secured by 1-4 family real estate. The bank maintains approximately 9.5 percent of the loan portfolio in commercial real estate and 5.0 percent in equity lines of credit. The following table details the bank's loan portfolio by type.

Loan Portfolio

Loan Type	Amount (000s)	Percent
Residential Mortgages	239,703	72.8
Commercial Real Estate	31,048	9.5
Equity Lines of Credit	16,523	5.0
Consumer Loans	15,219	4.6
Commercial and Industrial Loans	14,037	4.3
Multifamily (5 or more units) Residential Properties	9,345	2.8
Construction and Land Development Loans	2,810	0.9
Other Loans	363	0.1
Total Gross Loans	329,048	100%

Source: March 31, 2002 Consolidated Report of Condition.

Easthampton Savings Bank is a portfolio lender, but sells some 30-year fixed rate loans to the Federal Home Loan Mortgage Corporation. In 2001, the bank sold 61 loans totaling \$6,571,000.

The bank's primary business focus includes being a primary source for residential mortgage loans as well as a local source for commercial financing for businesses. Easthampton Savings Bank's credit products include home mortgage financing and refinancing through fixed and variable rate products as well as construction loans. A variety of consumer loan products are also available including automobile loans (new and used), personal loans, home improvement loans, overdraft protection, and education loans. Business and commercial lending is provided through commercial and industrial loans, including mortgages, construction, equipment, and lines of credit.

There appears to be no financial or legal impediment that would limit the bank's ability to meet the credit needs of the assessment area. The Commonwealth of Massachusetts Division of Banks and the Federal Deposit Insurance Corporation (FDIC) last examined the bank for compliance with the Community Reinvestment Act concurrently on January 18, 2000. The examination resulted in a CRA rating of "Satisfactory" from both regulatory agencies.

Easthampton Savings Bank has strong competition from several financial institutions within its assessment area. These financial institutions include but are not limited to the following: Florence Savings Bank, BankNorth, Peoples Bank, Greenfield Savings Bank, Westfield Bank, as well as representatives of regional and national banking and mortgage companies. The market influence from these institutions appears to be significant, and as a result, serves to keep the bank's rates and services offered competitive.

Market share information obtained from PCI Services, Inc. CRA WIZ, indicates 199 mortgage companies, savings banks, commercial banks, cooperative banks, and credit unions have either originated or purchased residential mortgage loans within the bank's assessment area.

DESCRIPTION OF ASSESSMENT AREA

Demographic and Economic Data

Easthampton Savings Bank's assessment area consists of the cities and towns of Amherst, Chesterfield, Easthampton, Goshen, Granby, Hadley, Hatfield, Huntington, Northampton, South Hadley, Southampton, Westhampton, and Williamsburg. All 13 cities and towns are located within Hampshire County and all but three are located within the Springfield Metropolitan Statistical Area (MSA). Chesterfield, Goshen, and Westhampton are located in a non-MSA. However, the three non-MSA towns share census tract 8226.00 with Huntington and Williamsburg, which are in the MSA.

The assessment area contains 29 census tracts: 1 (3.4 percent) is designated as low-income, 1 (3.4 percent) as moderate-income, 13 (44.8 percent) as middle-income, 10 (34.6 percent) as upper-income and 4 (13.8 percent) have no income designation (N/A). The low-income tract is located in Amherst and contains only 128 housing units of which 84.4 percent are rental units. The moderate-income census tract is also located in Amherst. This tract contains 2,495 housing units of which 774 or 31.0 percent are owner-occupied and 68.5 percent are rental units. While both geographies were included in the analysis, it can be inferred that the bank's activity in these areas is severely limited and therefore only modest activity is to be expected. The tracts designated as N/A are located in Northampton (3) and Amherst (1). They contain no households and are composed primarily of state hospitals or college campuses. Since residential lending opportunities in these tracts is non-existent, these tracts will be excluded from the analysis of the bank's HMDA reportable loans.

According to 1990 census data, the assessment area has a total population of 121,904 individuals. There are 40,745 households in the assessment area. A household is defined as all persons occupying a housing unit. Of the households, 25,843 are families with a median family income of \$42,876 versus \$38,097 for the Springfield MSA.

Please refer to the following table for information regarding other housing characteristics.

<i>Selected Housing Characteristics by Income Category of the Geography</i>						
<i>Geographic Income Category</i>	<i>Percentage</i>					
	<i>Census Tracts</i>	<i>House holds</i>	<i>Housing Units</i>	<i>Owner- Occupied</i>	<i>Rental Units</i>	<i>Vacant Units</i>
Low	3.4	0.3	0.3	0.0	0.6	1.2
Moderate	3.4	6.1	5.8	3.2	10.3	1.3
Middle	44.8	62.4	63.0	57.9	69.4	72.1
Upper	34.6	31.2	30.9	38.9	19.7	25.4
NA	13.8	-	-	-	-	-
<i>Total</i>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: U.S. Census

The median family income for the Springfield MSA for 2000 and 2001 was \$47,500 and \$49,700, respectively. The median family income for the non-MSA for 2000 and 2001 was \$48,000 and \$50,500. The income figures are based on estimated Department of Housing and Urban Development (HUD) information. Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median family income. Upper-income is defined as income equal to or greater than 120 percent of the median family income.

The housing stock available in the assessment area is predominately 1-4 family owner-occupied housing (78.6 percent). Much of the area's housing stock is older and built prior to 1954. According to the April 22, 2002 *Bankers and Tradesman*, the year-to-date median housing value in the assessment area is \$139,500. Housing values range from a low of \$88,750 in the Town of Chesterfield to a high of \$196,000 in the Town of Hadley.

According to Dun and Bradstreet (D&B) data, the number of employment establishments in the assessment area numbered 5,082. The leading field of employment is the Service industry with 47.3 percent of the establishments, followed by Retail Trade at 19.9 percent, and Construction at 8.6 percent. In addition, gross annual revenue reports show that 81.1 percent of the establishments have revenues of \$500,000 or less and 78.2 percent of the businesses had 9 or fewer employees.

The Town of Easthampton is located in Hampshire County and is a residential and manufacturing community 14 miles north of the City of Springfield and 96 miles west from the City of Boston. The town was a major industrial area during the 1900s. The town had a dozen factories producing yarn, thread, buttons, and elastic materials. Today, Easthampton has 20 manufacturing firms, which provide 46 percent of the jobs in the town. Easthampton is also home to the Williston Northampton School, a nationally ranked preparatory school. Currently the largest employers in the assessment area include the University of Massachusetts in Amherst; Smith College; Cooley Dickinson Hospital and the Veterans Administration Medical Center in Northampton. Also Tubed Products Inc. and Kellogg Brush Manufacturing Companies in Easthampton are major employers.

The large number of educational institutions within the assessment area has led to the development of a service industry including shops and restaurants. The remainder of the assessment area is primarily agricultural and rural in nature.

The economy of the assessment area is stable, with manufacturing companies and the service industry being a significant contributor to job growth in the area towns. There continues to be positive growth from the recent real estate boom in the last decade, although the economic future is not so clear. Unemployment in the area is on the rise. As of April 30, 2002, the unemployment rate in the assessment area was 2.9 percent and still rising.

As part of the examination, community contacts are conducted by examiners to determine if there are any areas in need of assistance from local institutions, and to verify if the institutions are meeting the credit needs of the assessment area. A community contact was conducted with an organization whose primary purpose is affordable housing and first-time homebuyer programs. The contact indicated that there is a serious need for affordable housing in the area. The contact also mentioned the need for the creation of jobs with better pay. The area was home to high paying manufacturing jobs, but since the last economic downturn, that void has yet to be filled.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The institution's Lending Test performance was rated an overall "Satisfactory." The institution's lending efforts are rated under seven performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the bank's performance.

Scope of Evaluation

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its residential mortgage loans, small business loans, and community development loans. Residential mortgage loans and small business loans originated during 2000, and 2001 were included in the bank's performance.

The data used to evaluate the bank's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act/ Loan Application Register) and the bank's CRA Disclosure Statement.

I. Lending Activity

The bank's lending level reflects a good responsiveness to the assessment area's credit needs as a substantial majority of the loans were made in the assessment area. The bank's assets totaled \$488 million as of March 31, 2002. Gross loans totaled \$329 million representing 67.4 percent of total assets.

As of March 31, 2002, the net loan to deposit ratio was 83.8 percent, an increase from 70.2 percent on March 31, 2001. Net loans increased by 34.2 percent, while deposits increased by 12.4 percent during the one-year period. According to the December 31, 2001, Uniform Bank Performance Report (UBPR), the bank's net loan to deposit ratio was 78.7 percent. The peer group's net loan to deposit ratio was 84.8 percent, placing the bank in the 36th percentile. The increasing loan-to-deposit trend is the result of the bank's strong lending activity in 2001 caused by heavy refinancing due to low interest rates.

The bank's net loans and leases as a percent of assets, as reported in the December 31, 2001, Uniform Bank Performance Report (UBPR), was 64.7 percent. The peer group's net loan to asset ratio was 64.0 percent, placing the bank in the 49th percentile. The bank's ratio is higher than peer, however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

Inside and Outside Assessment Area

HMDA-Reportable Lending

Easthampton Savings Bank's Loan Application Registers (LARs) were reviewed to determine the amount of credit extended within the bank's assessment area. During this period, the bank originated 1,126 HMDA-reportable loans totaling \$139.6 million. Of this amount, 853 loans, or 75.8 percent of the number totaling \$107 million or 77.1 percent of the dollar volume were originated in the bank's assessment area.

By number, Easthampton accounted for the largest number of originations with 29.0 percent, followed by Northampton with 14.6 percent. Easthampton also accounted for the largest dollar volume of originations with 24.2 percent, followed by Northampton with 19.2 percent. Refer to the following table for the distribution of loans inside and outside of the assessment area.

Distribution of Home Mortgage Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	158	82.3	19,260	86.3	34	17.7	3,068	13.7
2001	695	74.4	88,319	75.3	239	25.6	28,969	24.7
Total	853	75.8	107,579	77.1	273	24.2	32,037	22.9

Source: HMDA/LAR, CRA Wiz

As shown in the table above, an extremely large increase in the volume of loans occurred between 2000 and 2001. The number of loans went from 192 to 934. This was attributed to the low interest rate environment in 2001 and the refinancings that occurred as a result.

In 2000, Easthampton Savings Bank had the fifth largest market share out of 199 HMDA reportable lenders in the assessment area. Easthampton originated 158 loans in the assessment area giving the bank a 6.0 percent market share. The top three lenders in the assessment area were Florence Savings Bank with a 17.0 percent market share, Citicorp Mortgage Inc. with a 10.0 percent market share, and Sovereign Bank with an 8.0 percent share of the market.

Small Business Lending

Easthampton Savings Bank's Small Business Loan Registers (SBLRs) were reviewed to determine the amount of credit extended within the assessment area. A small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The bank originated 290 small business loans totaling \$11.8 million during this period. A total of 255 loans totaling \$9.7 million were originated to businesses within the bank's assessment area, representing 87.9 percent by number and 82.5 percent by dollar volume. Refer to the following table detailing the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
2000	154	88.5	6,322	82.1	20	11.5	1,374	17.9
2001	101	87.1	3,411	83.2	15	12.9	691	16.8
Total	255	87.9	9,733	82.5	35	12.1	2,065	17.5

Source: CRA Data Collection

As shown in the above table, the small business loan distribution reflects a good responsiveness to the assessment area's credit needs. However, there was a decline in the number and dollar amount of loans in 2001. According to bank management, the reason for the decline was the overall economic climate the region faced in 2001.

During 2000, Easthampton Savings Bank ranked sixth in Hampshire County for small business loan originations with a 6.3 percent share of the market. The number one small business loan originator was American Express Centurion with a 19.1 percent market share.

The bank's distribution of residential and small business loans in the assessment area is considered good.

II. Geographic Distribution

HMDA-Reportable Lending

HMDA-reportable loans located within the bank's assessment area were further analyzed to determine the location by census tract income level. The assessment area is comprised of 29 census tracts. There are 4 census tracts designated as NA which were not used to evaluate the bank's performance in this category because of the extremely limited lending potential, as described in the performance context. In addition, the low and moderate-income census tracts located in Amherst have extremely limited lending opportunities for both residential and commercial business.

The following table provides a breakdown, by number, of the bank's HMDA-reportable loans within its assessment area according to census tract income level. The table also shows the number of loans in comparison to the number of owner-occupied housing units in each census tract income category.

Distribution of HMDA Loans by Income Category of the Census Tract									
Census Tract Income Level	% Total Owner-Occupied Housing Units	2000 Aggregate Lending Data		2000		2001		Total	
		#	%	#	%	#	%	#	%
Low	0.0	5	0.2	0	0.0	0	0.0	0	0.0
Moderate	3.2	72	3.0	3	1.9	10	1.4	13	1.5
Middle	57.9	1,368	56.6	97	61.4	400	57.6	497	58.3
Upper	38.9	942	39.0	58	36.7	284	40.9	342	40.1
NA	-	31	1.2	0	0.0	1	0.1	1	0.1
Total	100.0	2,418	100.0	158	100.0	695	100.0	853	100.0

Source: U.S. Census, HMDA LAR

The above table shows the bank made 1.5 percent of its loans in the only moderate-income census tract. This is slightly below the 3.2 percent of owner-occupied housing units located there. However, the moderate-income census tract is located in the Town of Amherst, where the bank has no branch office. Amherst is the location of the University of Massachusetts and in the moderate-income census tract a majority of the housing units are rental, thus limiting residential lending opportunities.

In addition, 58.3 percent of the bank's total loans were within middle-income census tracts and 40.1 percent were within upper-income census tracts. Activity in these census tracts is proportionate to the percentage of owner-occupied housing units in these tracts, which stands at 57.9 percent and 38.9 percent respectively.

The geographic distribution of the bank's loans by census tract income category was also compared to that of all other HMDA-reportable lenders in the assessment area. Other HMDA-reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis is for calendar year 2000 and is also presented in the above table.

As shown above, Easthampton Savings Bank originated a lower percentage of loans than the aggregate in moderate-income census tracts, with 1.9 percent versus the aggregate performance of 3.0 percent. Also, by dollar amount, the bank originated 2.0 percent of its loans in moderate-income areas while the aggregate originated 4.5 percent in moderate-income areas.

Small Business Lending

Easthampton Savings Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area. The following table depicts this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract							
Census Tract Income Level	% of Total Number of Small Businesses	2000		2001		Total	
		#	%	#	%	#	%
Low	2.7	0	0.0	0	0.0	0	0.0
Moderate	2.7	0	0.0	1	1.0	1	0.4
Middle	71.0	102	66.2	77	76.2	179	70.2
Upper	23.6	52	33.8	23	22.8	75	29.4
Total	100.0	154	100.0	101	100.0	255	100.0

Source: CRA data collection, CRA Aggregate Lending Data

As shown above, the majority of small business loans were made in middle-income census tracts, which is proportionate to the make-up of the small businesses in the assessment area.

The geographic distribution of small business loans was also compared to all other small business lenders in the assessment area. Other small business reporters include bank and non-bank entities such as large national banking companies, other local banks, and finance companies. The most recent data available for this analysis relates to calendar year 2000. According to this analysis, the aggregate originated 62.8 percent of the number and 65.3 percent of the dollar amount to small businesses in middle-income census tracts. These figures are comparable to Easthampton Savings Bank, which originated 66.2 percent of the number and 80.5 percent of the dollar amount of small business loans in middle-income census tracts.

Based on the above information, the bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects an adequate dispersion of loans throughout the assessment area.

III. Borrower Characteristics

HMDA-Reportable Lending

Easthampton Savings Bank's residential loans were further analyzed to determine the distribution of lending by borrower income level. Borrowers' reported incomes were compared to the median family income of the Springfield Metropolitan Statistical Area (MSA). The income figures are based on estimated Department of Housing and Urban Development (HUD) information.

Low-income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate-income is defined as income between 50 percent and 79 percent of the median family income level for the MSA. Middle-income is defined as income between 80 percent and 119 percent of the median income. Upper-income is defined as income equal to or greater than 120 percent of the median income.

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers, in comparison to the number of households in the assessment area in each respective income group.

Distribution of HMDA Loans by Borrower Income									
Median Family Income Level	% Total House holds	2000 Aggregate Lending Data		2000		2001		Total	
		#	%	#	%	#	%	#	%
Low	21.5	84	3.5	5	3.2	16	2.3	21	2.5
Moderate	15.0	281	11.6	14	8.9	81	11.7	95	11.1
Middle	19.4	582	24.1	48	30.4	195	28.1	243	28.5
Upper	44.1	1,062	43.9	80	50.5	369	53.1	449	52.6
NA	-	409	16.9	11	7.0	34	4.8	45	5.3
Total	100.0	2,418	100.0	158	100.0	695	100.0	853	100.0

Source: U.S. Census, HMDA LAR, HMDA Aggregate Data

The bank extended 21 loans to low-income borrowers representing 2.5 percent of total loans within the assessment area. These loans represent 1.2 percent, by dollar amount, of the total loans originated and purchased within the assessment area during this period. This is well below the 21.5 percent of low-income households within the assessment area. However, there are mitigating factors that account for this disparity. They include the percentage of people who live below the poverty level (10.5%) and who cannot afford to purchase a home, as well as the high cost associated with purchasing a home in the area. This is also supported by the fact that the aggregate

data is also well below the percentage of low-income households within the assessment area demonstrating further that all lenders are having difficulty making loans in this income category.

Easthampton Savings Bank extended 95 loans to moderate-income borrowers, representing 11.1 percent by number. These loans represent 7.7 percent by dollar amount of the bank's total originations and purchases within its assessment area. The number of loans is slightly below the 15.0 percent of moderate-income households within the assessment area.

The distribution of the bank's loans among various borrower income levels was also compared to that of all other HMDA-reporting lenders in the assessment area. The distribution of the bank's residential loans to low-income borrowers is below that of all other HMDA-reporters within the assessment area. As shown above, the bank's percentage of lending to borrowers of low-income is slightly below the aggregate in Year 2000. The bank originated 3.2 percent by number and 1.4 percent by dollar amount of the total loans within the assessment area to low-income borrowers, compared to the aggregate with 3.5 percent by number and 1.8 percent by dollar amount.

HMDA-reportable loans in 2000 to moderate-income borrowers accounted for 8.9 percent by number and 4.7 percent by dollar amount within the assessment area. Both number and dollar amount are slightly below that of the aggregate. The bank is somewhat above the aggregate in lending to middle and upper-income borrowers.

Easthampton Savings Bank ranked fifth in market share in lending to low-income individuals in the assessment area in 2000. The bank originated 5 loans to low income borrowers capturing 5.5 percent of the market. The bank also ranked fifth in 2000 with 14 originations to moderate income borrowers capturing 4.7 percent of the market. The top two lenders to low and moderate-income borrowers were Florence Savings Bank and Citicorp Mortgage Inc.

Small Business Lending

The small business loans originated within the bank's assessment area were further analyzed to determine the typical loan amount at origination. The vast majority of the 255 small business loans originated in the bank's assessment area, during this time period, had original loan amounts of \$100,000 or less. The following table depicts the distribution of small business loans within the bank's assessment area by loan amount at origination.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2000		2001		Total	
	#	%	#	%	#	%
< \$100	146	94.8	98	97.0	244	95.6
\$100 - \$250	4	2.6	2	2.0	6	2.4
> \$250 - \$1,000	4	2.6	1	1.0	5	2.0
Total	154	100.0	101	100.0	255	100.0

Source: CRA Data Collection

By dollar amount, 64.0 percent of the loans had amounts less than \$100,000 and 10.9 percent had loan amounts between \$100,000 and \$250,000. The remaining 25.1 percent had loan amounts greater than \$250,000.

Small business loans originated within the bank's assessment area, during this period, were also analyzed to determine the distribution among businesses of various sizes. The majority of small business loans originated during this period were granted to small businesses, whose annual revenues were \$1 million or less. This indicates the bank is serving the needs of very small businesses in the assessment area. The following table depicts the distribution of small business loans within the bank's assessment area by revenues of the business.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2000		2001		Total	
	#	%	#	%	#	%
<= \$1,000	117	76.0	69	68.3	186	72.9
> \$1,000	33	21.4	24	23.8	57	22.4
Unknown	4	2.6	8	7.9	12	4.7
Total	154	100.0	101	100.0	255	100.0

Source: CRA Data Collection

As shown above, 72.9 percent of the bank's small business loans were made to businesses with gross annual revenues under a million dollars. By dollar amount, 66.6 percent went to those same businesses.

Based on the information above, the bank's lending to borrowers of different income levels, and lending especially to small businesses reflects a good performance.

IV. Community Development Lending

Easthampton Savings Bank has made no qualified community development loans during this examination period. As defined in the CRA regulation, a community development loan has as its primary purpose: affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, or activities that revitalize or stabilize low and moderate-income geographies. In addition, unless it is for a multifamily dwelling (five or more units), the loan must not be reported as a home mortgage or small business loan.

V. Innovative or Flexible Lending Practices

Easthampton Savings Bank has developed and has participated in loan programs aimed at meeting the credit needs of low and moderate-income homebuyers and small businesses. Details of these programs are as follows.

First Time Homebuyer: The bank offers a first-time homebuyer program for applicants seeking to purchase a one or two-family home or condominium. The program features up to 95 percent loan to value with private mortgage insurance, no points, reduced closing costs, low down payment requirements and flexible qualifying guidelines. During 2000, the bank originated 38 loans totaling \$3,840,090. The bank originated 57 loans totaling \$6,114,040 in 2001 under this program.

The Revitalization Loan Program: Easthampton Savings Bank initiated this program in late 1997 for both residential and commercial borrowers. The loan program is targeted to Easthampton's downtown commercial area and the surrounding older residential area formerly targeted by the City of Easthampton under its Community Development Block Grant. The initial loan pool of \$550,000 was totally advanced, and the bank committed to another \$500,000 in the fall of 1999.

- The residential program is designed to provide financial assistance to residents in Easthampton at low interest rates for structural and systematic repairs to one-to-four family homes, including lead paint and asbestos abatement, weatherization projects for energy conservation, and health and building code improvements. The maximum loan amount on any project is \$20,000 and the bank will lend three dollars for every one dollar of private funds on owner-occupied properties, and one dollar for every dollar of private funds on investor owned properties. The bank did not have any activity for this program in 2000. However, in 2001, the bank originated 5 loans totaling \$37,259.
- The commercial program is designed to provide financial assistance to business owners in Easthampton at exceptionally favorable interest rates for façade and signage improvements, commercial improvements, lead and asbestos abatement, and handicapped access improvements. The bank

originated 9 loans totaling \$113,313 in 2000. In 2001, the bank originated 8 loans totaling \$164,620 under this program.

The bank also participates in the Homeowner Options For Massachusetts Elders (HOME) program which provides financial counseling to senior citizens, and through participating banks, access to reverse mortgages to tap the equity in their homes. However, the bank has not had any activity for this program in 2000 or 2001.

Easthampton Savings Bank is also an approved Small Business Administration (SBA) lender, however, the bank has not had any activity in this program during the examination period.

VI. Fair Lending Policies and Practices

The bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Fair Housing Act, ECOA, and the Consumer Protection Act.

All employees are provided with training in fair lending issues appropriate to their job description and their responsibilities. The training also includes counseling, if necessary, for borrowers who need financial assistance. The bank employs 114 full time and 26 part time employees of whom 4 are minority. There are 10 employees who speak foreign languages including Spanish, Polish, French, and Cambodian.

The bank's staff volunteer their time to a variety of area organizations in need of their training and expertise. Easthampton Savings Bank markets its services and products to the community through a variety of media including print, radio, billboards, and the Internet. Seminars are also conducted in order to make potential customers aware of the services the bank provides.

The bank has an established program of performing second reviews of residential real estate and small business loans that are slated for denial.

Minority Application Flow

Easthampton Savings Bank's assessment area contains 121,904 individuals, 10,064 or 8.3% of whom are minorities. The assessment area's minority population is 0.1% Native American, 3.5% Asian, 1.8% Black, 2.8% Hispanic and 0.1% Other.

A review of residential loan applications was conducted in order to determine the number of applications the bank received from minorities. The bank received 1,000 residential loan applications from within its assessment area. During this period, 49 applications or 4.9% were received from minorities. Of these 49 applications received,

39 or 79.6 percent resulted in originations. The bank's minority application flow appears below the racial composition of its assessment area.

Refer to the following table for further details.

MINORITY APPLICATION FLOW*								
RACE	AGGREGATE DATA 2000		Easthampton Savings Bank 2000		Easthampton Savings Bank 2001		Easthampton Savings Bank TOTAL	
	#	%	#	%	#	%	#	%
<i>Native American</i>	3	0.1%	1	0.5%	1	0.1%	2	0.2%
<i>Asian</i>	38	1.0%	5	2.4%	11	1.3%	16	1.6%
<i>Black</i>	34	0.9%	0	0.0%	2	0.3%	2	0.2%
<i>Hispanic</i>	49	1.3%	0	0.0%	2	0.3%	2	0.2%
<i>Joint</i>	52	1.4%	5	2.4%	18	2.3%	23	2.3%
<i>Other</i>	17	0.5%	1	0.5%	3	0.4%	4	0.4%
Total Minority	193	5.2%	12	5.8%	37	4.7%	49	4.9%
<i>White</i>	2,327	62.4%	193	93.7%	755	95.0%	948	94.8%
<i>NA</i>	1,211	32.4%	1	0.5%	2	0.3%	3	0.3%
Total	3,731	100.0%	206	100.0%	794	100.0%	1,000	100.0%

*Source: PCI Services, Inc., CRA Wiz Software.

An analysis was also performed comparing the bank's application flow levels in 2000 to all other HMDA-reporting lenders. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow. This data indicated that the bank received 5.8 percent of its applications from minority applicants compared to 5.2 percent for all other lenders.

Easthampton Savings Bank's minority application flow when compared to the other lenders within the assessment area is slightly above the aggregate.

VII. Loss of Affordable Housing

The bank's participation in and its development of credit products with flexible lending criteria, has assisted low and moderate-income individuals and small businesses to remain in their neighborhoods.

INVESTMENT TEST

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. Easthampton Savings Bank is rated "Satisfactory" in this area. The following describes the institution's qualified investments.

Easthampton Savings Bank's qualified investments include an IRS- registered tax shelter investment in an affordable housing development, and several qualified charitable grants/contributions to community organizations serving the needs of low and moderate-income individuals and families.

The bank continues to hold affordable housing tax credits that it purchased in 1993. The tax credits date back to 1993, and are still carried on the books, but are not weighted as heavily as more recent investments. The credits were issued in support of a 25 unit affordable housing complex that was constructed in Amherst. The project was designed to provide a mix of subsidized, low-income and market rate rental units, with the majority of the units earmarked for below market rates. Originally, ESB's investment was \$143,000 or 10% of the total equity in the project. The current book value of these credits is approximately \$67,000. It should be noted that the bank does not receive any form of profit arising directly from the housing development, only the allocated tax write-off yearly as a limited partner.

Charitable Grants

The bank has provided qualified charitable contributions to organizations that provide education and training, affordable housing, youth programs, health and human services for individuals in need and supports community and economic development needs as defined under the CRA regulation. In 2000, the bank provided \$34,200 (26% of total contributions) and in 2001 provided \$36,350 (30% of total contributions) in qualified contributions and grants. As of April 29, 2002, the bank contributed \$7,250 (14% of total contributions) in qualified donations. The following are examples of these contributions:

- **Hampshire Community United Way:** Hampshire Community United Way is an umbrella organization whose main goal is to coordinate funding for programs and services provided by local health and human service agencies. While the dollars raised by United Way can support all income levels, funded agencies use their allocation to provide services for low and moderate-income level families primarily. In addition funds raised during the United Way campaigns help feed the hungry; provide quality childcare and after-school programs along with counseling and shelter for victims of domestic violence.

- **Northampton Affordable Housing Trust Fund:** This is a municipal trust fund organized for the city of Northampton to retain low and moderate-income housing units in a Northampton housing complex.
- **Hilltown Community Development Corporation (HCDC):** The HCDC offers an affordable housing program for first- time homebuyers in the Hilltowns. The program is an extension of the HCDC's current Housing Rehabilitation Program, whereby low and moderate-income homeowners can obtain loans to repair their homes. Under HCDC's new Homeownership Development Program, HCDC acquires homes, rehabilitates them and subsequently sells them at affordable prices to low and moderate-income first time homebuyers.
- **Western Mass Enterprise Fund:** This organization provides funding for start-up businesses, purchase of existing businesses, and business expansion for micro and small businesses with high-growth, that are not established enough to qualify for traditional bank financing.
- **Food Bank of Western Massachusetts:** This private non-profit organization provides food to needy families in the area.
- **Consumer Credit Counseling of Massachusetts:** This non-profit organization provides financial counseling and educational programs for families and individuals. Services provided by this organization include seminars on budgeting, money management, and credit histories.
- **Jessie's House:** provides temporary housing to homeless women with children and to families.

Conclusion - Investment Test

As depicted above, Easthampton Savings Bank has a marginally satisfactory level of qualified community development investments and grants, and has exhibited an adequate responsiveness to community economic development needs. Therefore, the bank's investment performance is rated "Satisfactory".

SERVICE TEST

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. Easthampton Savings Bank's service activities are "Satisfactory".

The bank's systems for delivering retail-banking services are accessible to geographies and individuals of different income levels within its assessment area. The bank's low cost checking and savings accounts, as well as the convenience of its automated telephone banking system service, are tailored to the convenience and needs of its assessment area.

Officers and employees of the bank have provided an adequate level of service activity in response to community needs. The following details the institution's services.

RETAIL BANKING SERVICES

Distribution of Branches

Easthampton Savings Bank, a Massachusetts-chartered institution, is headquartered in the center of downtown Easthampton, at 36 Main Street, which is designated as a middle-income census tract. In addition to its main office, the bank operates 5 full service offices in the following communities: Hadley (1), South Hadley (1), Southampton (1), and Northampton (2). All offices are located in middle or upper-income census tracts.

Record of Closing Branches

The bank maintains a Branch Closing Policy. The Board of Trustees approved this policy in January 2002. The plan outlines basic procedures to be followed should the decision be made to close an office. No branch offices have closed since the previous State and FDIC concurrent examination dated January 18, 2000. A new branch opened in South Hadley since the last examination. In addition, the bank opened two free standing ATMs located at 2 Liberty Street, Easthampton, and 102 Main Street, Northampton. The bank also relocated its Southampton Big Y freestanding ATM at the Big Y supermarket location across the street to the Red Rock Plaza.

Alternative Banking Services

Services and hours of operation compare favorably to those of competing institutions and afford accessibility to all segments of the bank's assessment area. All full-service offices offer extended hours on Thursday and Friday evenings. All offices are open Saturday mornings, and are equipped with 24 hour Automated Teller Machines (ATMs). In addition, all branches have drive-up facilities with extended hours of operation Monday through

Friday. Easthampton Savings Bank also operates six freestanding ATMs. The ATMs are linked to the NYCE, CIRRUS and VISA networks. The bank is a member of the SUM network that allows the bank's ATM cardholders free use at member institution ATMs. This service is very beneficial to low and moderate-income individuals.

ESB also offers a Visa Card (debit card). There is no fee charged to customers who use the debit card.

Currently, there are 10 bilingual employees to assist the non-English speaking customers and potential customers at the bank. Second languages spoken include Arabic, Bosnian, Cambodian, Croatian, Danish, French, German Polish, Spanish, and Swedish,

The bank offers customers 24-hour account access through its automated telephone banking system known as ESB24HR. By utilizing the bank's telephone banking, customers can access their accounts, obtain balance information and execute transfers between accounts. Loan rates, deposit rates product information and office locations and hours are also available.

In addition to the above services, the bank also hosts a website at www.bankesb.com. The site allows customers to access information on the history of their account as well as export the information into a personal financial manager program. The site allows customers to view their history, reconcile accounts and transfer funds from one account to another. The website also features bill payment, a tool that allows online users to pay their bills to any person or company in the United States.

Other Services

As a participant in The Massachusetts Community and Banking Council's (MCBC) Basic Banking Program, Easthampton Savings Bank offers low cost savings and checking accounts. The following details the low cost savings and checking accounts offered by the bank.

Free Checking: This account has no minimum balance and requires only \$10.00 to open. There are no fees assessed for monthly service and the first order of ESB checks is free. An ATM card is available with this account and can be used free at any ESB or SUM location.

Passbook Savings Account: This account requires \$10.00 to open and has a minimum balance of \$100.00. If the balance goes below \$100.00, a \$2.00 fee is assessed to the account.

The bank has established a partnership with the local Telephone Company to assist hearing-impaired individuals to obtain special equipment, which enables them to conduct bank business by phone. The bank also provides free check cashing of local payroll checks to non-depositors of the bank.

The bank is an active participant in the Bank Reporting Project sponsored by the Executive Office of Elder Affairs, Massachusetts Office of Consumer Affairs and Business Regulation, Attorney General's Office, The Division of Banks, and the Massachusetts Bankers Association. This program requires bank employees, who suspect that an elderly customer is being financially exploited, to report this information to the bank protection officer and to intervene on the customer's behalf if necessary. Brochures have been created to help individuals identify these seniors and make sure that proper referral channels have been established. These brochures are available in all of the bank's lobbies.

Easthampton Savings Bank is also involved in the Commonwealth of Massachusetts "Savings Makes Cents" program. The goal of this program is to teach children the basics of how to manage their funds.

ESB participates in the Interest on Lawyer's Trust Account Program (IOLTA). Attorneys and law firms maintain these accounts for the short term holding of client's funds. Interest earned on these accounts is remitted to the IOLTA committee, which distributes funds to local charities to provide low or no cost legal services to low-income individuals. During the period under review, IOLTA accounts generated approximately \$14,252 in interest.

COMMUNITY DEVELOPMENT SERVICES

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial services. Easthampton Savings Bank officers and employees are involved with community organizations that address economic and affordable housing development. Through these involvement's, the bank's staff lends their technical expertise, experience and judgment to these organizations. Detailed below is a sample of the bank's qualified community development services.

- **Easthampton Industrial and Development Commission:** This organization is committed to encouraging economic development in Easthampton. The committee works to assist existing businesses and industries in Easthampton, and encourages new businesses to locate in town. A Vice President of the bank chairs this commission.
- **Highland Valley Elder Services:** This non-profit organization provides financial advisory services, along with other social services, to the elderly in the Western Massachusetts area. A Vice President of the bank serves as Chairman of the Money Management Advisory Council of this organization advising the program on fund raising, policies, and procedures.
- **Salvation Army of Amherst and Hadley:** The Salvation Army is a non-profit organization that helps to provide relief to families and individuals who are in need of rental assistance, prescription medications, utility payments, clothing and household,

emergency transportation and food. An Assistant Vice President of the Bank serves as the Treasurer of the organization.

- **United Way of Hampshire County:** The bank has played a significant role in supporting this entity. This organization offers community services targeted to low and moderate-income individuals. The majority of funds are directed to organizations that serve low and moderate-income individuals. The bank's President/CEO served as the Co-Chairman for the 2001 annual fund drive and serves as Chairman for the 2002 event. In addition, several bank officers and employees contribute significantly to this organization by offering financial expertise and fund raising.
- **Ella Clark Home:** This organization runs group homes and provides financial advisory services to the elderly residing in Western Massachusetts. A Senior Branch Officer served as a member of the Board of Directors, contributing financial expertise and guidance on the upkeep of a home.
- **Three County Continuum of Care:** This organization covers Franklin, Hampden and Hampshire Counties with the exception of the city of Springfield. The service providers in the region united to formalize an existing pattern of working together, sharing resources, and planning programs into the Continuum of Care body. The Continuum of Care has been successful in gaining the support of additional service providers and local government as well, as in obtaining HUD funding for homeless-related housing and services. In 2001, the bank's Senior Vice President & General Counsel worked with Continuum members as a professional advisor to group members during the grant process. These funding proposals to HUD dealt with the following issues: housing, social services, and job placement for the homeless population.

In addition to the above noted organizations, officers, employees and board members of Easthampton Savings Bank are also actively involved in Business Associations, civic, charitable, religious and fraternal organizations located throughout the assessment area.

Educational Seminars

Bank officers and employees have also participated in seminars and other events sponsored or co-sponsored by the bank during 2000 and 2001. These events provide opportunities for bank representatives to inform those in attendance about the products and services offered by the bank and to gain information about unmet credit needs in the assessment area.

- On October 4, 2000, a Senior Vice President of the bank facilitated a first time homebuyers seminar workshop sponsored by the Hampden Housing Partnership.
- In 2001, Easthampton Savings Bank sponsored four homebuyer seminars in conjunction with the Valley Community Development Council and the Hilltown Community Development Council.

- In 2001, the bank also sponsored a series of first time homebuyer training sessions in conjunction with the City of Holyoke Office for Community Development and the Hampton Hampshire Housing Partnership.

CONCLUSION (Service Test)

As illustrated above, officers and employees of Easthampton Savings Bank demonstrated an adequate level of service activity and involvement in community organizations throughout its assessment area. The bank's products and alternative banking services are tailored to the convenience and needs of its assessment area. Therefore, a rating of "Satisfactory" is warranted.

APPENDIX A

SCOPE OF EXAMINATION

Easthampton Savings Bank has one assessment area consisting of 13 municipalities and was reviewed using the examination procedures for large banks. All of the municipalities are situated within the Springfield MSA, except the towns of Westhampton, Chesterfield and Goshen. These small towns share a census tract with Williamsburg and Huntington, which are situated within the Springfield MSA.

The CRA evaluation included HMDA-reportable loans and small business loans. The time period used was January 1, 2000 to December 31, 2001. All loans recorded on the 2000 and 2001 HMDA/LAR were included in the evaluation of the bank's lending performance. In addition, all loans recorded on the 2000 and 2001 Small Business Loan Registers (as defined under the new data collection requirements of the revised CRA regulation) were included in the evaluation of the bank's lending performance.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the bank's Public File, which contained no negative CRA-related comments.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

EASTHAMPTON SAVINGS BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **APRIL 29, 2002**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.